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Creating a "People Strategy" for Your Business

Hiring the right people and managing them well is essential to your business' success. Here are 6 tips for developing an effective HR strategy.

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Many entrepreneurs will admit they're great at producing their product or providing a service, but they aren't natural-born managers. There's no shame in that—entrepreneurs are a breed of their own. But without an effective people strategy in place, you run the risk of joining others who had a great idea but—like a bad golf swing—had no follow-through.

Why is it important to invest in your human capital? A comprehensive approach to managing and growing the strengths of your employees has a significant and lasting payoff. Studies show there's a direct link between an effective people strategy and a company's competitive advantage.

Simply put, the better a business manages its human capital, the better its profitability and shareholder return will be. According to Watson Wyatt Worldwide's latest *Human Capital Index* study, a successful people strategy is not merely linked to market value; it's a leading indicator of increased shareholder value. The study showed that high-performance human resources (HR) practices are key to attracting and keeping the best employees and to improving a company's productivity and profitability.

So, how can you meet this challenge?

In short, by taking the same kind of systematic and strategic approach to human resource issues that you've used to successfully build your core business. Once you've decided that a comprehensive people strategy is a necessity for your company, you're ready to take the first step to building it. And here are some key ingredients:

- **Develop a strong corporate culture.** Every organization has its own distinct culture, whether it's worked consciously or not to develop it. A positive, innovative corporate culture can contribute to the growth and success of the business and position the company as a "destination employer."
- **Institute a strategic reward system.** Rewarding your employees for a job well done directly affects their performance—and your company's bottom line. Employees receive a certain amount of satisfaction from achieving goals and improving the company, but it's even more meaningful when that success is recognized. It's important to decide beforehand what kind of behavior and performance to single out, how it should be rewarded and how to communicate that reward.
- **Hire the right people.** Creating a positive corporate culture begins with hiring the best people for the right jobs, and that means you need a strategic recruiting program.
- **Stay armed for the "war for talent."** A recent survey by the Society of Human Resources Management showed that most employees would actively look for a new job once the economy starts to improve. That kind of attitude drives home the importance of a strong employee retention strategy. Given the high cost of employee turnover, the value of spending time, effort and money on keeping valuable employees becomes clear. Companies with a strategic retention plan in place are well armed to combat turnover.
- **Develop sound policies and practices.** Having a comprehensive set of written policies and procedures in place based on sensible HR and legal principles is critical to helping employees understand and meet expectations. It's also important because government regulation of the employer-employee relationship has made personnel administration increasingly complex.

- **Have a strategy in place for training and development.** Talented employees want more than a paycheck—they want the assurance that they can grow in their jobs and advance in the company. A thorough, results-driven training and development strategy helps business owners identify leaders, equip them to do their jobs and increase the performance of the company.

Think of it this way: Human capital is a resource that can walk out the door anytime. Your employees are central to the success of your business. They are the ones who help create and improve your products and services. They deliver your products and interact with your customers. They work to protect your ideas and assets. Without their productive contributions, it's likely your business would fail.

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